Taxation, money and freedom

Aladár Madarász

The study, following on from the author's previous work on the history of South Sea Company, focuses on the issue of public debt in 18th-century British economic writings. The first part reviews recent debates among economic historians: how to explain the growing credibility of British governments after 1689. The next details the arguments of some important protagonists in the early modern age – Davenant, Defoe, Bolingbroke, Hume, Wallace, Pinto, Steuart and Smith – on the expected economic and political consequences of an increasing public debt and on the methods of financing wars. This is followed by discussion of the monetary theories of Hume and Smith, notably their views on banks, credit, paper money, the effects of increasing money supply, and the features of "free" Scottish banking system. Two main lines of argument were advanced in the controversies on public debt. Several writers regarded it as a necessary but dangerous instrument that undermines political liberty and can lead the state into financial bankruptcy. Others described it as not only necessary, but advantageous to a commercial nation, by stimulating trade and development and symbolizing the public's confidence in their government.

Virtual price effects on the Budapest stock exchange

Kata Váradi, Ákos Gyarmati and Ágnes Lublóy

Price-effect equations show what relative price change a commission of a given value will have. Knowledge of price-effect equations plays an important part in enabling market players to predict the price effect of their future commissions and to develop an optimal trading algorithm. The method devised by the authors allows a virtual price-effect equation to be defined simply and rapidly without knowledge of the whole offer book, by presenting the relation between the price-effect equation and degree of liquidity, and how to estimate the price-effect equation from the time line of the Budapest Liquidity Measure (BLM). The methodology is shown using the time line for OTP shares and the virtual price-effect equation estimated for the 1 January 2007 to 3 June 2011 period from the shares' BML data set. During the empirical analysis the authors conducted an examination of the tendency of the price-effect equation over time and for its basic statistical attributes, to yield

a picture of the past behaviour of the transaction costs arising in the absence of liquidity. The information obtained may, for instance, help traders in dynamic portfolio optimization.

A short history of the institution of bankruptcy

Károly Halmos

Bankruptcy is a general distraint against an insolvent debtor, not exceeding the extent of the debtor's assets. This legal institution is is a important means of market cleansing. Bankruptcy in Hungary before 1991 had been regulated by law since the Vormärz period, except in the era of neo-absolutism, when the regulation was based on royal decrees. The old legislation of bankruptcy did not define "private bankruptcy" because that was the default case of being bankrupt. The old legislation was swept away by the expropriation of private property. The new bankruptcy legislation of 1991 has left the traditional terminology of bankruptcy, so that the definition of the Hungarian legal term since then has been at variance with international standards.